

112TH CONGRESS
2D SESSION

S. 3412

AN ACT

To amend the Internal Revenue Code of 1986 to provide
tax relief to middle-class families.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; ETC.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Middle Class Tax Cut Act”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (c) TABLE OF CONTENTS.—The table of contents of
11 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—TEMPORARY EXTENSION OF TAX RELIEF

Sec. 101. Temporary extension of 2001 tax relief.

Sec. 102. Temporary extension of 2003 tax relief.

Sec. 103. Temporary extension of 2010 tax relief.

Sec. 104. Temporary extension of election to expense certain depreciable busi-
ness assets.

TITLE II—ALTERNATIVE MINIMUM TAX RELIEF

Sec. 201. Temporary extension of increased alternative minimum tax exemption
amount.

Sec. 202. Temporary extension of alternative minimum tax relief for nonrefund-
able personal credits.

TITLE III—BUDGETARY EFFECTS

Sec. 301. Budgetary effects.

12 **TITLE I—TEMPORARY**
13 **EXTENSION OF TAX RELIEF**

14 **SEC. 101. TEMPORARY EXTENSION OF 2001 TAX RELIEF.**

15 (a) TEMPORARY EXTENSION.—

16 (1) IN GENERAL.—Section 901(a)(1) of the
17 Economic Growth and Tax Relief Reconciliation Act

1 of 2001 is amended by striking “December 31,
2 2012” and inserting “December 31, 2013”.

3 (2) EFFECTIVE DATE.—The amendment made
4 by this subsection shall take effect as if included in
5 the enactment of the Economic Growth and Tax Re-
6 lief Reconciliation Act of 2001.

7 (b) APPLICATION TO CERTAIN HIGH-INCOME TAX-
8 PAYERS.—

9 (1) INCOME TAX RATES.—

10 (A) TREATMENT OF 25- AND 28-PERCENT
11 RATE BRACKETS.—Paragraph (2) of section
12 1(i) is amended to read as follows:

13 “(2) 25- AND 28-PERCENT RATE BRACKETS.—
14 The tables under subsections (a), (b), (c), (d), and
15 (e) shall be applied—

16 “(A) by substituting ‘25%’ for ‘28%’ each
17 place it appears (before the application of sub-
18 paragraph (B)), and

19 “(B) by substituting ‘28%’ for ‘31%’ each
20 place it appears.”.

21 (B) 33-PERCENT RATE BRACKET.—Sub-
22 section (i) of section 1 is amended by redesign-
23 ating paragraph (3) as paragraph (4) and by
24 inserting after paragraph (2) the following new
25 paragraph:

1 “(3) 33-PERCENT RATE BRACKET.—

2 “(A) IN GENERAL.—In the case of taxable
3 years beginning after December 31, 2012—

4 “(i) the rate of tax under subsections
5 (a), (b), (c), and (d) on a taxpayer’s tax-
6 able income in the fourth rate bracket shall
7 be 33 percent to the extent such income
8 does not exceed an amount equal to the ex-
9 cess of—

10 “(I) the applicable amount, over

11 “(II) the dollar amount at which
12 such bracket begins, and

13 “(ii) the 36 percent rate of tax under
14 such subsections shall apply only to the
15 taxpayer’s taxable income in such bracket
16 in excess of the amount to which clause (i)
17 applies.

18 “(B) APPLICABLE AMOUNT.—For purposes
19 of this paragraph, the term ‘applicable amount’
20 means the excess of—

21 “(i) the applicable threshold, over

22 “(ii) the sum of the following amounts
23 in effect for the taxable year:

1 “(I) the basic standard deduction
 2 (within the meaning of section
 3 63(c)(2)), and

4 “(II) the exemption amount
 5 (within the meaning of section
 6 151(d)(1) (or, in the case of sub-
 7 section (a), 2 such exemption
 8 amounts).

9 “(C) APPLICABLE THRESHOLD.—For pur-
 10 poses of this paragraph, the term ‘applicable
 11 threshold’ means—

12 “(i) \$250,000 in the case of sub-
 13 section (a),

14 “(ii) \$225,000 in the case of sub-
 15 section (b),

16 “(iii) \$200,000 in the case of sub-
 17 sections (c), and

18 “(iv) $\frac{1}{2}$ the amount applicable under
 19 clause (i) (after adjustment, if any, under
 20 subparagraph (E)) in the case of sub-
 21 section (d).

22 “(D) FOURTH RATE BRACKET.—For pur-
 23 poses of this paragraph, the term ‘fourth rate
 24 bracket’ means the bracket which would (deter-

mined without regard to this paragraph) be the
36-percent rate bracket.

“(E) INFLATION ADJUSTMENT.—For purposes of this paragraph, with respect to taxable years beginning in calendar years after 2012, each of the dollar amounts under clauses (i), (ii), and (iii) of subparagraph (C) shall be adjusted in the same manner as under paragraph (1)(C), except that subsection (f)(3)(B) shall be applied by substituting ‘2008’ for ‘1992’.”.

(2) PHASEOUT OF PERSONAL EXEMPTIONS AND
ITEMIZED DEDUCTIONS.—

(A) OVERALL LIMITATION ON ITEMIZED
DEDUCTIONS.—Section 68 is amended—

(i) by striking “the applicable amount” the first place it appears in subsection (a) and inserting “the applicable threshold in effect under section 1(i)(3)”,

(ii) by striking “the applicable amount” in subsection (a)(1) and inserting “such applicable threshold”,

(iii) by striking subsection (b) and redesignating subsections (c), (d), and (e) as subsections (b), (c), and (d), respectively, and

1 (iv) by striking subsections (f) and
 2 (g).

3 (B) PHASEOUT OF DEDUCTIONS FOR PER-
 4 SONAL EXEMPTIONS.—

5 (i) IN GENERAL.—Paragraph (3) of
 6 section 151(d) is amended—

7 (I) by striking “the threshold
 8 amount” in subparagraphs (A) and
 9 (B) and inserting “the applicable
 10 threshold in effect under section
 11 1(i)(3)”,

12 (II) by striking subparagraph (C)
 13 and redesignating subparagraph (D)
 14 as subparagraph (C), and

15 (III) by striking subparagraphs
 16 (E) and (F).

17 (ii) CONFORMING AMENDMENTS.—
 18 Paragraph (4) of section 151(d) is amend-
 19 ed—

20 (I) by striking subparagraph (B),
 21 (II) by redesignating clauses (i)
 22 and (ii) of subparagraph (A) as sub-
 23 paragraphs (A) and (B), respectively,
 24 and by indenting such subparagraphs
 25 (as so redesignated) accordingly, and

1 (III) by striking all that precedes
 2 “in a calendar year after 1989,” and
 3 inserting the following:

4 “(4) INFLATION ADJUSTMENT.—In the case of
 5 any taxable year beginning”.

6 (c) EFFECTIVE DATE.—Except as otherwise pro-
 7 vided, the amendments made by this section shall apply
 8 to taxable years beginning after December 31, 2012.

9 (d) APPLICATION OF EGTRRA SUNSET.—Each
 10 amendment made by subsection (b) shall be subject to title
 11 IX of the Economic Growth and Tax Relief Reconciliation
 12 Act of 2001 to the same extent and in the same manner
 13 as if such amendment was included in title I of such Act.

14 **SEC. 102. TEMPORARY EXTENSION OF 2003 TAX RELIEF.**

15 (a) EXTENSION.—

16 (1) IN GENERAL.—Section 303 of the Jobs and
 17 Growth Tax Relief Reconciliation Act of 2003 is
 18 amended by striking “December 31, 2012” and in-
 19 serting “December 31, 2013”.

20 (2) EFFECTIVE DATE.—The amendment made
 21 by this subsection shall take effect as if included in
 22 the enactment of the Jobs and Growth Tax Relief
 23 Reconciliation Act of 2003.

24 (b) 20-PERCENT CAPITAL GAINS RATE FOR CERTAIN
 25 HIGH INCOME INDIVIDUALS.—

(1) IN GENERAL.—Paragraph (1) of section 1(h) is amended by striking subparagraph (C), by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F) and by inserting after subparagraph (B) the following new subparagraphs:

“(C) 15 percent of the lesser of—

“(i) so much of the adjusted net capital gain (or, if less, taxable income) as exceeds the amount on which a tax is determined under subparagraph (B), or

“(ii) the excess (if any) of—

“(I) the amount of taxable income which would (without regard to this paragraph) be taxed at a rate below 36 percent, over

“(II) the sum of the amounts on which a tax is determined under subparagraphs (A) and (B),

“(D) 20 percent of the adjusted net capital gain (or, if less, taxable income) in excess of the sum of the amounts on which tax is determined under subparagraphs (B) and (C),”.

(2) MINIMUM TAX.—Paragraph (3) of section 55(b) is amended by striking subparagraph (C), by redesignating subparagraph (D) as subparagraph

(E), and by inserting after subparagraph (B) the following new subparagraphs:

“(C) 15 percent of the lesser of—

“(i) so much of the adjusted net capital gain (or, if less, taxable excess) as exceeds the amount on which tax is determined under subparagraph (B), or

“(ii) the excess described in section 1(h)(1)(C)(ii), plus

“(D) 20 percent of the adjusted net capital gain (or, if less, taxable excess) in excess of the sum of the amounts on which tax is determined under subparagraphs (B) and (C), plus”.

(c) CONFORMING AMENDMENTS.—

(1) The following provisions are each amended by striking “15 percent” and inserting “20 percent”:

(A) Section 531.

(B) Section 541.

(C) Section 1445(e)(1).

(D) The second sentence of section 7518(g)(6)(A).

(E) Section 53511(f)(2) of title 46, United States Code.

1 (2) Sections 1(h)(1)(B) and 55(b)(3)(B) are
 2 each amended by striking “5 percent (0 percent in
 3 the case of taxable years beginning after 2007)” and
 4 inserting “0 percent”.

5 (3) Section 1445(e)(6) is amended by striking
 6 “15 percent (20 percent in the case of taxable years
 7 beginning after December 31, 2010)” and inserting
 8 “20 percent”.

9 (d) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as otherwise pro-
 11 vided, the amendments made by subsections (b) and
 12 (c) shall apply to taxable years beginning after De-
 13 cember 31, 2012.

14 (2) WITHHOLDING.—The amendments made by
 15 paragraphs (1)(C) and (3) of subsection (c) shall
 16 apply to amounts paid on or after January 1, 2013.

17 (e) APPLICATION OF JGTRRA SUNSET.—Each
 18 amendment made by subsections (b) and (c) shall be sub-
 19 ject to section 303 of the Jobs and Growth Tax Relief
 20 Reconciliation Act of 2003 to the same extent and in the
 21 same manner as if such amendment was included in title
 22 III of such Act.

23 **SEC. 103. TEMPORARY EXTENSION OF 2010 TAX RELIEF.**

24 (a) AMERICAN OPPORTUNITY TAX CREDIT.—

1 (1) IN GENERAL.—Section 25A(i) is amended
2 by striking “or 2012” and inserting “2012, or
3 2013”.

4 (2) TREATMENT OF POSSESSIONS.—Section
5 1004(e)(1) of division B of the American Recovery
6 and Reinvestment Tax Act of 2009 is amended by
7 striking “and 2012” each place it appears and in-
8 serting “2012, and 2013”.

9 (b) CHILD TAX CREDIT.—Section 24(d)(4) is amend-
10 ed—

11 (1) by striking “AND 2012” in the heading and
12 inserting “2012, AND 2013”, and

13 (2) by striking “or 2012” and inserting “2012,
14 or 2013”.

15 (c) EARNED INCOME TAX CREDIT.—Section 32(b)(3)
16 is amended—

17 (1) by striking “AND 2012” in the heading and
18 inserting “2012, AND 2013”, and

19 (2) by striking “or 2012” and inserting “2012,
20 or 2013”.

21 (d) TEMPORARY EXTENSION OF RULE DIS-
22 REGARDING REFUNDS IN THE ADMINISTRATION OF FED-
23 ERAL PROGRAMS AND FEDERALLY ASSISTED PRO-
24 GRAMS.—Subsection (b) of section 6409 is amended by

1 striking “December 31, 2012” and inserting “December
2 31, 2013”.

3 (e) EFFECTIVE DATES.—

4 (1) IN GENERAL.—Except as provided in para-
5 graph (2), the amendments made by this section
6 shall apply to taxable years beginning after Decem-
7 ber 31, 2012.

8 (2) RULE DISREGARDING REFUNDS IN THE AD-
9 MINISTRATION OF CERTAIN PROGRAMS.—The
10 amendment made by subsection (d) shall apply to
11 amounts received after December 31, 2012.

12 **SEC. 104. TEMPORARY EXTENSION OF ELECTION TO EX-**
13 **PENSE CERTAIN DEPRECIABLE BUSINESS AS-**
14 **SETS.**

15 (a) IN GENERAL.—

16 (1) DOLLAR LIMITATION.—Section 179(b)(1) is
17 amended—

18 (A) by striking “and” at the end of sub-
19 paragraph (C),

20 (B) by redesignating subparagraph (D) as
21 subparagraph (E),

22 (C) by inserting after subparagraph (C)
23 the following new subparagraph:

24 “(D) \$250,000 in the case of taxable years
25 beginning in 2013, and”, and

1 (D) in subparagraph (E), as so redesign-
2 nated, by striking “2012” and inserting
3 “2013”.

4 (2) REDUCTION IN LIMITATION.—Section
5 179(b)(2) is amended—

6 (A) by striking “and” at the end of sub-
7 paragraph (C),

8 (B) by redesignating subparagraph (D) as
9 subparagraph (E),

10 (C) by inserting after subparagraph (C)
11 the following new subparagraph:

12 “(D) \$800,000 in the case of taxable years
13 beginning in 2013, and”, and

14 (D) in subparagraph (E), as so redesign-
15 nated, by striking “2012” and inserting
16 “2013”.

17 (b) COMPUTER SOFTWARE.—Section
18 179(d)(1)(A)(ii) is amended by striking “2013” and in-
19 serting “2014”.

20 (c) ELECTION.—Section 179(c)(2) is amended by
21 striking “2013” and inserting “2014”.

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2012.

1 **TITLE II—ALTERNATIVE** 2 **MINIMUM TAX RELIEF**

3 **SEC. 201. TEMPORARY EXTENSION OF INCREASED ALTER-** 4 **NATIVE MINIMUM TAX EXEMPTION AMOUNT.**

5 (a) IN GENERAL.—Paragraph (1) of section 55(d) is
6 amended—

7 (1) by striking “\$72,450” and all that follows
8 through “2011” in subparagraph (A) and inserting
9 “\$78,750 in the case of taxable years beginning in
10 2012”, and

11 (2) by striking “\$47,450” and all that follows
12 through “2011” in subparagraph (B) and inserting
13 “\$50,600 in the case of taxable years beginning in
14 2012”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2011.

18 **SEC. 202. TEMPORARY EXTENSION OF ALTERNATIVE MIN-** 19 **IMUM TAX RELIEF FOR NONREFUNDABLE** 20 **PERSONAL CREDITS.**

21 (a) IN GENERAL.—Paragraph (2) of section 26(a) is
22 amended—

23 (1) by striking “or 2011” and inserting “2011,
24 or 2012”, and

1 (2) by striking “2011” in the heading thereof
 2 and inserting “2012”.

3 (b) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to taxable years beginning after
 5 December 31, 2011.

6 **TITLE III—BUDGETARY EFFECTS**

7 **SEC. 301. BUDGETARY EFFECTS.**

8 (a) PAYGO SCORECARD.—The budgetary effects of
 9 this Act shall not be entered on either PAYGO scorecard
 10 maintained pursuant to section 4(d) of the Statutory Pay-
 11 As-You-Go Act of 2010.

12 (b) SENATE PAYGO SCORECARD.—The budgetary
 13 effects of this Act shall not be entered on any PAYGO
 14 scorecard maintained for purposes of section 201 of S.
 15 Con. Res. 21 (110th Congress).

Passed the Senate July 25, 2012.

Attest:

Secretary.

112TH CONGRESS
2D SESSION

S. 3412

AN ACT

To amend the Internal Revenue Code of 1986 to
provide tax relief to middle-class families.